

## **REMARKS**

Claims 1-3, 6-10, 12-15, 17, 18 and 21-25 have been amended, and claims 5 and 20 have been canceled by this amendment. Applicants reserve the right to pursue the original claims and other claims in this application and other applications. Claims 1-4, 6-19 and 21-28 are pending in this application.

Claims 5-7, 9, 10, 12, 15, 20-22, 24 and 25 stand rejected under 35 U.S.C. 112, second paragraph. The claims have been amended to correct the deficiencies noted by the Office Action.

Claims 1-10 and 13 stand rejected under 35 U.S.C. 102(b) as being anticipated by Funk et al. (U.S. 6,059,185). Claims 15 and 16 stand rejected under 35 U.S.C. 102(b) as being anticipated by Cahill et al. (U.S. 6,574,377). Claim 11 stands rejected under 35 U.S.C. 103(a) as being unpatentable over Funk et al. in view of Holm (U.S. 3,949,363). Claim 12 stands rejected under 35 U.S.C. 103(a) as being unpatentable over Funk et al. in view of Cahill et al. Claim 14 stands rejected under 35 U.S.C. 103(a) as being unpatentable over Funk et al. in view of Green et al. (U.S. 5,602,936). Claims 17-25 stand rejected under 35 U.S.C. 103(a) as being unpatentable over Cahill et al. in view of Funk et al. Claim 26 stands rejected under 35 U.S.C. 103(a) as being unpatentable over Cahill et al. in view of Haas (U.S. 4,088,982). Claims 27, 28 stand rejected under 35 U.S.C. 103(a) as being unpatentable over Cahill et al. in view of Milford (U.S. 4,315,246). Reconsideration is respectfully requested.

Current check sorting methods, as described in detail in paragraphs [0003] – [0005] of the specification, result in checks being sorted based on the information contained in a line of characters at the bottom of each check. These characters, known as a Magnetic Ink Character Recognition (MICR) code, indicate the bank at which the account is maintained via a routing number, the account number and the check number for each check. If the sorting is being performed by a check clearing house for a plurality of banks, this results in the checks being sorted by institution, i.e., bank. Optionally, the checks could be further sorted by account and check number for each account. As the checks are separated by account number for each bank, separators

are typically inserted into the stack of checks to separate the checks for different accounts. The sorted checks are then sent to the respective banks for preparation and mailing of the account statements. Once the checks have been sorted by account number, the bank will prepare the account statements. The account statements for these checks are prepared in account order, and the sorted checks are matched with the appropriate account statement for mailing to the account holders. Thus, the mailing for the account statements is produced and ordered based on account number.

The present invention is directed to an improved check sorting system capable of ordering cancelled checks for a plurality of accounts in a predetermined manner other than by account number. By utilizing the sorting system of the present invention, for example, banks can take advantage of postal discounts available for presorted mail without adding additional costs or processing in the preparation of the mail pieces that include the account statements and cancelled checks.

In view of the above, claim 1 as amended is directed to a method for sorting a plurality of checks that comprises "reading information from a check of the plurality of checks, the check being drawn against an account maintained by a customer at a financial institution; using at least a portion of the information read from the check, obtaining a sort priority order number for the check from a database, the sort priority order number being based on a delivery location specified by the customer for an account statement associated with the account; sorting the check based on the sort priority order number obtained from the database; and repeating the reading, obtaining and sorting steps for each of the plurality of checks." In this manner, the checks can be sorted to take advantage of postal discounts for presorted mail.

Funk, in contrast, is directed to a check processing system and method that eliminates a manual encoding step by electronically recording and storing checking account information and check amounts of checks provided for deposit in transactions occurring over a predetermined transaction period at the time of each transaction, automatically generating a document identifier associated with each check transferred in each transaction and storing the document identifier with the checking account

information and check amount associated with each check, and then electronically matching the checks with the electronically recorded checking account information and check amounts. The check amounts are then encoded on respective matched checks. (Col. 3, lines 3-15).

More specifically, in Funk, when a check is received for deposit by a customer, the check amount, as written on the check, is obtained. The check is also passed through a MICR reader to read the checking account information pre-printed on the check. The depositor's account number is also obtained, either by reading it from a deposit slip or keying it in on a numerical keypad. The checking account information, check amount and depositor's account number are then transmitted electronically to a document identification number (DIN) database where they are stored. The checking account information, check amount, and depositor's account number are further augmented and referenced by the document identification number. The document identification number or identifier is generated automatically and may be composed of a combination of all or some of the transaction data, including the transaction date, branch number of the bank, teller identification, and document sequence number. The document identification number is a unique identifier used to reference a specific check. (Col. 3, line 43 to Col. 4, line 5). Throughout a predetermined transaction period, such as each day of operation, the data associated with all transactions taking place at the banking institution are transmitted at the time of presentment and recoded in the DIN database. At the end of the transaction period, all transaction check data is then downloaded to a central processing location of a bank or a service contractor to perform check processing. In addition, the paper checks associated to the same transaction period are also sent to the processing center or servicer. The processing center then performs a power encoding procedure by first searching in the downloaded data for the electronic record, including the DIN and checking account information of each transaction, and matching the paper check. Subsequently, since the check amount is electronically available, the checks may be power-encoded with the check amounts, and may be spray endorsed with the DIN and depositor's account number. (Col. 4, lines 14-41).

In Funk, the power encoding is done by automated machinery that read the MICR data on the paper check, searches the electronic transaction data in the file that was transmitted, and finds a match. The check amount in the electronic data is read and then encoded on the paper check in the proper field or location. The machines also sort the checks by destination so that electronic presentment and transit collection as known in the art may take place to complete the check processing procedure. (Col. 4, lines 43-61). As described in Funk, the transit process delivers the checks to the bank having the accounts the checks are drawn on, at which place another capturing process, termed "inclearing," is performed. Inclearing ensures that the checks are actually drawing on that bank's accounts, the amounts are encoded on the checks, the correct settlement amount is given to the other banks, and the correct amount is finally settled or posted out to the customer's account. The checks may then be returned to the checking account owner. (Col 1. lines 56-66).

Thus, in Funk the only sorting that occurs is based on the financial institution upon which the check is drawn. This is no different than as described in the background section of the present specification. There is no disclosure, teaching or suggestion in Funk of a sort priority order number that is based on a delivery location specified by the customer for an account statement associated with the account. The document identification number is not in any way related to a delivery location specified by the customer of an account statement associated with the account. As noted above, in Funk the document identification number is composed of a combination of the transaction data. The transaction data does not include a delivery location specified by the customer for an account statement associated with the account. The system in Funk does no more than sort the checks based on financial institution and account number as is well known in the art. There is no sort priority order number that is based on a delivery location specified by the customer for an account statement associated with the account as in the present invention.

Furthermore, since there is no sort priority order number, the system in Funk does not disclose, teach or suggest sorting checks based on the sort priority order number obtained from the database. As noted above, the system in Funk does no more

than sort the checks based on financial institution and account number as is well known in the art. This is not the same as sorting the checks based on the sort priority order number that is based on a delivery location specified by the customer for an account statement associated with the account as in the present invention.

For at least the above reasons, Applicants respectfully submit that claim 1 is allowable over the prior art of record. Claims 2-4, 6-10 and 13, dependent upon claim 1, are allowable along with claim 1 and on their own merits.

Claims 11, 12 and 14 are dependent upon claim 1, and therefore include all of the limitations of claim 1. The references to Holm, Cahill and Green do not cure the above deficiencies with respect to claim 1, as they were relied upon for other features. For the same reasons given above with respect to claim 1, Applicants respectfully submit that claims 11, 12 and 14 are allowable along with claim 1 and on their own merits.

Independent claim 15 is directed to a system for sorting a plurality of checks, each of the checks being drawn against an account maintained by a respective customer at a financial institution, the system comprising "a scanner module to read information from a check; a controller coupled to the scanner, the controller receiving the information read from the check by the scanner; a database coupled to the controller, the database storing sort priority order numbers for the plurality of checks, the sort priority order number for each check being based on a delivery location specified by the respective customer for an account statement associated with the account maintained by the respective customer, the controller obtaining the sort priority order number for the check from the database using at least a portion of the information read from the check; and a sorter coupled to the controller, the sorter receiving the check from the scanner and placing the check into one of a plurality of bins based on the sort priority order number obtained from the database."

Cahill, in contrast, is directed to an electronic system for storing and retrieving electronic images of checks and other financial instruments. In Cahill, a system is provided whereby a customer of the banking institution can request, retrieve, and

display copies of checks and, preferably, generate correspondence with a copy of a check, i.e. a check image, all without bank staff involvement. Thus, the present application is directed to an automated system which retains images of the front and back of each check and data associated with that check. The associated data includes the account number, the check number and the check amount as well as image data. The system allows a user to request, retrieve and display check copies with turnaround time much faster than in the prior art. (Col. 3, lines 6-17).

In Cahill, a sort station comprises a sorter 200, having an input hopper 203, imaging device 204, optical character reader 205, MICR reader 205 and a plurality of sort pockets 208, 209, 210. Checks are fed into the input hopper 203 and conveyed to the digital imager 204 and MICR reader 205. After the MICR line is decoded, the checks are passed on one of the eight output pockets, i.e., the repair pocket 208, the repass pocket 209, or one of the six normal sort pockets 210. (Col. 14, lines 4-28). Prior to making the decision relating to which of the output pockets 208, 209, 210 to send the check, a "best read" comparison is performed on the data retrieved from the MICR line. The check sorter 200 is instructed to provide a "best read" on the MICR line, and returns a decoded MICR line with "!" characters replacing any questionable data in the MICR line. If the "best read", i.e., the decoded MICR line contains no "!" characters, the control computer 201 causes the check image to be converted to a TIFF file 22 and directs the check to one of the six normal output pockets 210. (Col 18, lines 18-37). When inconsistencies exist between the optically and magnetically decoded MICR lines or, where one or more characters were not decoded by either the MICR reader 205 or the OCR device 206, the check 1 can either be directed to the repass pocket 209 for re-processing on the sorter 200 or to the repair pocket 208 for MICR line correction at the repair station 4. (Col. 18, line 64 – Col. 19, line 3). As more specifically described in Figs. 5A and 5B of Cahill, during processing, the MICR line is decoded by the OCR device 206 (see step 216) and the MICR reader 205 (see step 215). Some of the time the "best read" contains "!" characters, and therefore, errors. This can result if one or more characters are not recognized by either of the decoders. If the "best read" contains "!" characters, errors are present (250). If no errors are present, the sorter 200 is controlled to send check 1 to one of the normal pockets 210 (see 251), the image and

associated data are converted to a TIFF file (252) and the merged TIFF file 22 is written to the storage space 505. (See 253). Where "best read" contains "!" characters, the number of such characters is compared with a threshold number (260). Checks 1 containing some "!" characters, but fewer than the threshold level, are sent to the repair pocket 208 (see 261) and the associated image for that check is sent to a repair queue 25 (see 262). Checks 1 with an equal or a greater number of inconsistencies than a threshold number are sent to a repass pocket 209 (see 263) and the associated image is discarded. Normal processing continues until there are no more checks 1 in the input hopper 203 (see 214), at which time normal processing is complete (265). (Col. 19, lines 10-38).

Thus, the system in Cahill sorts checks based solely on the amount of errors contained in the "best read" of the MICR line. If there are no errors, the checks is sent to any one of the normal pockets 210. If there are errors, then the check is sent to either one of the repair pocket 208 or the repass pocket 209 based on the number of errors. There is no disclosure, teaching or suggestion in Cahill of a database storing sort priority order numbers for the plurality of checks, where the sort priority order number for each check is based on a delivery location specified by the respective customer for an account statement associated with the account maintained by the respective customer as is recited in claim 15.

Additionally, there is no disclosure, teaching or suggestion in Cahill of the controller obtaining the sort priority order number for the check from the database using at least a portion of the information read from the check. The sorting in Cahill is performed based on the number of errors in the "best read" of the MICR line fore ach check. There is also no disclosure, teaching or suggestion in Cahill of the sorter receiving the check from the scanner and placing the check into one of a plurality of bins based on the sort priority order number obtained from the database. As noted above, the placement of the checks in Cahill is based solely on the number of errors in the "best read" of the MICR line.

For at least the above reasons, Applicants respectfully submit that claim 15 is allowable over the prior art of record. Claim 16, dependent upon claim 15, is allowable along with claim 15 and on its own merits.

Claims 17-28 are dependent upon claim 15, and therefore include all of the limitations of claim 15. The references to Funk, Haas and Milford do not cure the above deficiencies with respect to claim 15, as they were relied upon for other features. For the same reasons given above with respect to claim 15, Applicants respectfully submit that claims 17-28 are allowable along with claim 15 and on their own merits.

In view of the foregoing amendments and remarks, it is respectfully submitted that all claims are in condition for allowance and favorable action thereon is requested.

Respectfully submitted,

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